

Message Text

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ACTION AID-59

INFO OCT-01 NEA-05 SSO-00 IGA-02 EB-05 L-03 SS-07 FDRE-00

ISO-00 SPM-01 /083 W

----- 093717

O R 141148Z SEP 73

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC IMMEDIATE 1065

INFO AMEMBASSY KABUL

AMCONSUL KARACHI

AMCONSUL LAHORE

LIMITED OFFICIAL USE SECTION 1 OF 2 ISLAMABAD 7835

AIDAC

AID/W FOR FDRC

E.O. 11652: N/A

SUBJ: GRAIN REQUIREMENTS

REF: KARACHI 1759

SUMMARY: MISSION PRESENTS ITS MOST RECENT ASSESSMENT OF GRAIN LOSSES DUE FLOOD DAMAGE AND OF DIFFICULT GRAIN AVAILABILITY/ REQUIREMENT PICTURE FACING GOP.

ACTION REQUESTED: (1) EARLIEST POSSIBLE SHIPMENT 100,000 TONS WHEAT RECENTLY AGREED UNDER PL 480 TITLE I AND WFP. (2) ANNOUNCEMENT AS SOON AS POSSIBLE OF ALLOCATION AND SHIPMENT OF ABOUT 40,000 TONS COARSE GRAIN RECOMMENDED REFTEL. (3) ADVISE POSSIBILITY OF ADDITIONAL ALLOCATION PL 480 COARSE GRAIN DURING CRITICAL SIX MONTHS AHEAD. END SUMMARY

1. REVIEW OF FLOOD DAMAGE INDICATES, ACCORDING OUR BEST JUDGEMENT, LOSS OF 800,000 MT OF ON-FARM STOCKS OF WHEAT, INCLUDING SEED, ABOUT 300,000 MT OF RICE, 50,000 TONS CORN AND PERHAPS 50,000
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TONS OTHER GRAINS. WHEAT LOSS INCLUDES OUR ESTIMATE OF LOSS OF

120,000 TONS OF WHEAT SEED. FURTHERMORE, AS PART OF GOP EFFORT TO INCREASE FALL PLANTINGS OF WHEAT, THERE WILL BE AN ADDITIONAL REQUIREMENT OF ABOUT 30-40,000 MT OF WHEAT SEED.

2. GOP HAS NOT YET PUBLISHED ESTIMATES OF GRAIN LOSSES. HOWEVER, JOINT SECRETARY AYUB, FOOD DEPARTMENT, CONSIDERS THAT OUR ESTIMATE OF RICE LOSSES IS MUCH TOO LOW AND THAT WHEAT LOSSES WILL TOTAL 800,000 TONS NOT COUNTING SEED LOSSES.

3. GOP HAS AUTHORIZED PUNJAB PROVINCIAL GOVERNMENT TO GO ON DOMESTIC MARKET TO PROCURE WHEAT SEED REQUIREMENTS WHICH GOP ESTIMATES AT 25,000 TONS FOR SIND AND AT 100,000 TONS FOR THE PUNJAB. THEY ARE ALSO EXAMINING RATION SHOP STOCKS FOR WHEAT WHICH CAN BE USED TO MEET THE CRITICAL SEED REQUIREMENT.

4. AYUB NOTES THAT IN THE FIRST FOUR MONTHS OF THE YEAR (MAY, JUNE, JULY AND AUGUST) WHEAT TAKE-OFF FROM RATION SHOP SUPPLIES TOTALED AN AVERAGE OF ABOUT 178,000 TONS PER MONTH COMPARED TO ABOUT 100,000 TONS LAST YEAR. HE NOTED HEAVIER TAKE-OFF DUE TO INCREASED RATION SHOP DEMAND WHERE WHEAT FLOUR SOLD AT RS. 18.370 PER MAUND (NOW RS. 23 PER MAUND) COMPARED TO MUCH HIGHER FREE MARKET PRICE (NOW RUNNING AROUND RS.35/MAUND). THIS SUGGESTS PRO RATA AVAILABILITIES FROM SEPTEMBER 1 THROUGH MAY 15, WHEN NEW WHEAT CROP WILL COME ON MARKET, WILL BE SOMEWHAT LOWER THAN FOR FIRST THREE OR FOUR MONTHS. HOWEVER, GOP THIS YEAR PROCURED DOMESTICALLY 1.3 MILLION TONS OF WHEAT OUT OF A CROP OF 7.8 MILLION COMPARED TO ONLY 200,000 TON LAST YEAR FROM A CROP OF 8 MILLION. SO TO SOME EXTENT A LARGER DRAW DOWN OF RATION SHOP SUPPLIES WAS TO BE EXPECTED IN THE LIGHT OF RESULTING REDUCTION IN THIS YEAR'S OPEN MARKET SUPPLIES. WE ATTEMPTING REFINE ANALYSIS FOOD GRAIN BALANCES FOR SEPTEMBER - MAY PERIOD, AND WILL FORWARD LATER.

5. IF WE ASSUME THAT MINIMUM WHEAT CONSUMPTION REQUIREMENTS ARE 7.5 MILLION TONS (LAST YEAR'S LEVEL) AND REQUIREMENT FOR SEED AND NORMAL WASTAGE IS 800,000 TONS, ANNUAL REQUIREMENTS WOULD TOTAL 8.3 MILLION TONS. THE GOP OFFICIAL ESTIMATE OF LAST YEAR'S WHEAT PRODUCTION IF 7.4 MILLION TONS. MISSION JUDGES THIS UNDER-ESTIMATES TOTAL PRODUCTION AND, PERHAPS OPTIMISTICALLY, WE ARE LIMITED OFFICIAL USE

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ASSUMING FY 73 PRODUCTION OF 7.8 MILLION TONS. WE ALSO ASSUME SOME PRIVATE STOCK BUILDUP IN FY 73 WHICH WILL PERMIT A STOCK DRAW DOWN THIS YEAR. PRIVATE STOCKS ARE NOT KNOWN, BUT A TOTAL STOCK DRAW DOWN OF 200,000 TONS IN FY 74 DOES NOT SEEM UNREASONABLE. (HOWEVER AYUB IS OF THE OPINION THAT TOTAL STOCK DRAW DOWN WOULD MORE LIKELY BE ABOUT 100,000 TONS.) FINALLY, WE ASSUME THAT IMPORTS IN FY 74

WILL TOTAL ABOUT 500,000 TONS (OF WHICH 350,000 TONS ALREADY
DELIVERED ACCORDING TO FOOD DEPARTMENT, AND 100,000 TONS IS
RECENT USG PROVISION UNDER TITLE I AND WFP). RESULT OF ABOVE
ANALYSIS - WHICH BASED ON OPTIMISTIC VIEW OF LAST YEAR'S CROP AND
STOCK POSITION, AND CONSERVATIVE VIEW OF FLOOD LOSSES AND CON-
SUMPTION REQUIREMENTS - SUGGESTS WHEAT DEFICIT POSITION OF THE
ORDER OF ABOUT ONE-HALF MILLION TONS. (A GOP CALCULATION USING ITS
ESTIMATES OF LAST YEAR'S PRODUCTION, FLOOD LOSSES AND LIKELY STOCK
DRAW DOWN WOULD SHOW A SHORTFALL OF OVER A MILLION TONS.)

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FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC IMMEDIATE 1066

INFO AMEMBASSY KABUL

AMCONSUL KARACHI

AMCONSUL LAHORE

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MISSION FY 74 WHEAT BALANCE ESTIMATE
(MILLION MT)

A. AVAILABILITIES

PRODUCTION	7.8
IMPORTS	0.5
STOCK DRAW DOWN	0.2
SUB-TOTAL	8.5
LESS FLOOD LOSS (NOT COUNTING SEED)	0.7

TOTAL 7.8

B. REQUIREMENTS

SEED AND NORMAL WASTAGE 0.8

CONSUMPTION 7.5

TOTAL 8.3

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C. INDICATED SHORTFALL 0.5

WE BELIEVE AS INDICATED IN REFTEL THAT THIS SHORTFALL CAN BE HANDLED BY CAREGUL MANAGEMENT AND SOME BELT TIGHTENING.

6. THERE ARE SEVERAL STEPS WHICH THE GOP CAN TAKE TO ALLEVIATE THE TIGHT FOOD GRAIN POSITION. THE FIRST IS TO INCREASE AVAILABILITIES OF RICE FOR DOMESTIC CONSUMPTION. AS GOP INDICATED TO PRESIDENT'S SPECIAL COORDINATOR, IT IS NOW PLANNING TO LIMIT RICE EXPORTS TO AROMATIC BASMATI VARIETIES (ABOUT 115,000 TONS PER YEAR) AND TO FIRM COMMITMENTS (ABOUT 120,000 TONS FOR NON-BASMATI RICE. OUR ANALYSIS OF RICE AVAILABILITIES AND REQUIREMENTS IS NOT COMPLETE. BUT IT DOES APPEAR CLEAR TO US THAT AT LEAST 300,000 TONS MORE RICE (AND POSSIBLY 500,000 TONS OR MORE) COULD BE EXPECTED TO BE AVAILABLE FOR DOMESTIC CONSUMPTION AS RESULT OF EXPORT CURTAILMENT. ALSO GOP IS HOPEFUL THAT SOME WHITE SORGHUM OR POSSIBLY BULGAR WHEAT COULD BE MADE AVAILABLE FROM PL 480 AND USED FOR BLENDING WITH WHEAT. WITH RESPECT TO COARSE GRAIN SUPPLEMENTS, IT APPEARS THAT WITH A 10-15 PERCENT MIXING RATE, UP TO ABOUT 200,000 QNS AND POSSIBLY UP TO 300,000 TONS COULD BE USED. GOP IS ALSO HOPEFUL THAT SOME WHEAT SEED/FOOD MAY BE PROCURABLE FOR FLOOD RELIEF FROM OTHER SOURCES, INCLUDING AFGHANISTAN.

7. IN LIGHT OF THE FOREGOING, MISSION WOULD RECOMMEND:

(A) EARLIEEST POSSIBLE DELIVERY OF THE 60,000 TONS OF TITLE I AND 40,000 TONS OF WFP WHEAT WE RECENTLY AGREED TO PROVIDE.

(B) EARLY ANNOUNCEMENT PL 480 ALLOCATION OF 40,000 TONS COARSE GRAINS AS PER REFTEL RECOMMENDATION. WHITE SORGHUM WOULD BE THE FIRST CHOICE.

(C) CONSIDERATION OF THE POSSIBILITY OF AN ADDITIONAL ALLOCATION OF WHITE SORGHUM OR BULGAR DURING NEXT SIX MONTHS DEPENDENT

ON AVAILABILITIES.

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8. WE EMPHASIZE THAT CONSIDERABLE HUMILITY IS NEEDED IN JUDGING EXTENT OF GRAIN SUPPLY PROBLEM. IT IS CLEAR THAT ORDER OF MAGNITUDE OF ERROR IN AVAILABLE ESTIMATES OF GRAIN AVAILABILITIES AND REQUIREMENTS IS SUBSTANTIAL. WHILE WE BELIEVE GOP ESTIMATES TO DATE HAVE GREATLY OVERSTATED MAGNITUDE OF PROBLEM, IT IS CERTAINLY CONCEIVABLE OUR ESTIMATES COULD UNDERSTATE MAGNITUDE OF SHORTFALL IN AVAILABILITIES. FURTHER, BOTH GOP AND USAID FLOOD LOSS ESTIMATES HAVE BEEN MADE BEFORE VILLAGE BY VILLAGE SURVEYS HAVE BEEN POSSIBLE. HENCE THE SITUATION WILL REQUIRE CONTINUED CLOSE MONITORING. WE PROPOSE REGULAR BIWEEKLY MESSAGES STARTING WITH THIS MESSAGE TO KEEP YOU INFORMED OF THE SITUATION AS IT DEVELOPS. DECON 9/15/74. SANDERHOFF

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